

SENATE BILL REPORT

ESB 6641

As Passed Senate, February 19, 2008

Title: An act relating to providing that voter-approved property tax increases do not permanently increase a taxing district's levy base, unless expressly stated in the ballot proposition.

Brief Description: Providing that voter-approved increases in property tax levy limitations for a multiyear period of up to six years do not permanently increase a taxing district's levy base, unless otherwise provided in the ballot proposition.

Sponsors: Senators Regala, Zarelli and Carrell; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 1/29/08, 1/31/08 [DP].

Passed Senate: 2/19/08, 49-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dean Carlson (786-7305)

Background: In addition to constitutional and statutory limits on property tax rates, there is a statutory 1 percent limit on revenue growth for taxing districts. Under this revenue "lid" the amount of revenue collected from a regular (i.e., non-voter-approved) property tax levy cannot be more than 1 percent above the highest one year amount collected in the prior three years. Taxing districts may exceed this 1 percent cap if the voters in the district approve a "lid lift" which allows voters in a district to agree to tax themselves above the lid.

Prior to 2003 lid lifts were limited to one year. In 2003 the Legislature authorized counties, cities, and towns to seek voter approval for multi-year lid lifts for up to six consecutive years. In 2007, the Legislature, through the enactment of ESB 5498, extended multi-year lid lift authority to all taxing districts. ESB5498 also made non-substantive, technical changes to the lid lift statute.

Prior to the passage of ESB 5498, a multi-year lid lift's levy base increase was presumed temporary unless the ballot measure explicitly made the increase permanent. After ESB 5498

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became effective, the Department of Revenue (Department) modified its interpretation regarding the temporary or permanent nature of the levy base increase for multi-year lid lifts. A multi-year lid lift ballot proposition is now interpreted to permanently increase a taxing district's levy base unless the increase is limited in duration in the ballot measure. The Department's modified interpretation of the lid lift statute did not change the default rule for single-year lid lifts. The default rule for single-year lid lifts is that the levy base increase is permanent unless explicitly limited in the ballot proposition.

Summary of Engrossed Bill: Taxing districts are required to explicitly indicate in a ballot proposition for both multi-year and single year lid lifts that the district's levy base will be permanently increased. If the ballot proposition does not expressly indicate that the final levy will be used for the purpose of computing subsequent levies, the levy base increase is presumed temporary.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: We encourage you to support the bill so fire districts don't have to rerun ballot measures. We think it is good to be explicit about the permanent nature of a lid lift. No one intended this to happen. This is an easy fix. We are still looking forward to a formal AG's opinion. This will undo the department's interpretation.

Persons Testifying: PRO: Mike Brown, Washington Fire Chiefs; Amber Carter, Association of Washington Business; Gil Brewer, Department of Revenue.